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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 31, 2003

IN THE MATTER OF

THE PORTSMOUTH POST OFFICE

BFI-2003-00004

CREDIT UNION, INCORPORATED

Merger into

NORTHERN STAR CREDIT UNION, INCORPORATED

ORDER AMENDING BYLAWS AND APPROVING THE MERGER

The Staff of the Bureau of Financial Institutions ("Bureau") has reported and represented to the State Corporation Commission ("Commission"):

(1) The Portsmouth Post Office Credit Union, Incorporated ("TPPOCU"), a Virginia-chartered credit union, has some \$1.9 million in assets and approximately 784 members. The December 2002 financial statement of TPPOCU discloses it to be insolvent with a negative net worth of \$70,358.

(2) TPPOCU has been experiencing ongoing financial difficulties, including numerous accounting and loan underwriting problems, as well as the identification of insider and potentially fraudulent loans. On September 27, 2002, a Letter of Understanding and Agreement ("LUA") was executed between the Bureau, TPPOCU, and the National Credit Union

Administration. To date, TPPOCU has been unable to meet all of the requirements of the LUA. These trends have reached a point where TPPOCU is no longer viable as a separate entity. The trends are confirmed in a Bureau memorandum dated January 16, 2003, and attached exhibits.

(3) An emergency exists, and it is in the best interests of the members of TPPOCU to have TPPOCU immediately merged into Northern Star Credit Union, Incorporated ("NSCU"), also a Virginia-chartered credit union.

(4) In order for TPPOCU to be merged into NSCU under § 6.1-225.10 of the Code of Virginia, the board of directors of both corporations must approve a plan of merger. The board of directors of NSCU has approved a plan of merger that provides, among other things, that the remaining members of TPPOCU will become members of NSCU.

(5) According to Article V, Section 1 of TPPOCU's bylaws, TPPOCU's board of directors shall consist of nine (9) members. Article V, Section 7 provides that a majority of the board of directors constitutes a quorum for the transaction of business. Insofar as TPPOCU has only two remaining members on its board of directors, its board of directors is unable to achieve the quorum necessary to vote on the plan of merger with NSCU.

(6) To enable TPPOCU's board of directors to vote on the plan of merger, TPPOCU's bylaws should be amended by the

Commission pursuant to § 6.1-225.17 of the Code of Virginia. The Bureau has provided TPPOCU with notice of the proposed amendments, and TPPOCU has waived its right to a hearing.

(7) NSCU's member accounts are insured by the National Credit Union Share Insurance Fund.

Having considered the report and the above representations of the Bureau, the Commission finds as follows: (i) TPPOCU is insolvent; (ii) an emergency exists; (iii) the board of directors of NSCU has approved a merger of TPPOCU into NSCU; (iv) the merger is in the best interests of the members of TPPOCU; (v) TPPOCU's bylaws should be amended by the Commission so that its board of directors may vote on the plan of merger; and (vi) TPPOCU has been notified of the proposed amendments and waived its right to a hearing.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to § 6.1-225.17 of the Code of Virginia, Article V, Section 1 of TPPOCU's bylaws be amended to read as follows: "The Board of Directors shall consist of five (5) members, who shall be members of this credit union. The Board of Directors shall consist of an odd number of directors, at least five (5) in number."

(2) In addition, Article V, Section 7 of TPPOCU's bylaws be amended to read as follows: "For purposes of voting on a merger with Northern Star Credit Union, Incorporated, two (2)

directors shall constitute a quorum. For all other purposes, a majority of the number of directors specified in these Bylaws shall constitute a quorum for the transaction of business at any meeting thereof but fewer than a quorum may adjourn from time to time until a quorum is in attendance. Written notice of an adjourned meeting need not be given."

(3) Subject to approval of the plan of merger by TPPOCU's board of directors and the receipt of evidence thereof by the Commission, the merger of TPPOCU into NSCU is hereby approved pursuant to § 6.1-225.10 of the Code of Virginia.

Pursuant to § 6.1-225.10 of the Code of Virginia, this Order of Approval shall take the place of the usual approval of the merger by the members of both credit unions. TPPOCU shall promptly provide its members of record with notice of TPPOCU's insolvency and its merger into NSCU for the purpose of providing such members an opportunity to challenge the finding that TPPOCU is insolvent. TPPOCU shall also preserve and make available to its members the relevant books and records for a period of thirty (30) days after such notice is sent.